

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 ARA-10 EUR-12 NEA-10 /166 W
-----012502 220553Z /11

R 220450Z APR 78
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 111
USMISSION GENEVA
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA

LIMITED OFFICIAL USE SECTION 1 OF 2 SINGAPORE 1815

E.O. 11652: N/A
TAGS: MTN, ETRD, SN
SUBJ: MTN: BILATERALS WITH SINGAPORE

1. SUMMARY: IN BILATERAL CONDUCTED APRIL 21, SINGAPORE
MADE POSITIVE RESPONSE TO US REQUEST LISTS, AND HAS
REQUESTED PROMPT, POSITIVE US RESPONSE TO GROUP TARIFF
REQUEST LIST THAT THEY SUBMITTED. US DEL SAID US WOULD
ATTEMPT TO RESPOND WITHIN THREE WEEKS. END SUMMARY.

2. AT BEGINNING OF DAY-LONG BILATERAL APRIL 21,
SINGAPORE DEL STATED THAT THEY WERE FREE TRADERS,
INTERESTED IN POSITIVE RESULTS IN THE MTN, AND A
SUBSTANTIAL NEGOTIATION WITH US. AS SUCH, THEY WERE
READY TO RESPOND POSITIVELY TO OUR REQUESTS. US DEL
(MIMS) OUTLINED OUR JAN. 23 OFFER AS IT AFFECTED
SINGAPORE, AND THEN ASKED WHAT SINGAPORE WAS PREPARED
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TO OFFER IN RESPONSE TO OUR REQUESTS.

3. SINGAPORE DEL RESPONDED THAT IN THEIR VIEW, US
OFFER IN SHORT TO MEDIUM TERM WOULD HAVE NEGATIVE
EFFECTS ON SINGAPORE'S TRADE, BECAUSE OF EROSION
OF GSP MARGINS. US DEL REFUTED THIS USING WELL-
KNOWN ARGUMENTS ON GSP VS MFN BENEFITS, BUT

SINGAPORE DEL, WHILE ACKNOWLEDGING POINTS MAINTAINED POSITION THAT THIS WAS NEGATIVE FACTOR WHICH REDUCED VALUE OF US OFFER TO SINGAPORE.

4. WHEN AGAIN ASKED ABOUT RESPONSE TO OUR REQUESTS, SINGAPORE DEL STATED THAT AS BELIEVER IN FREE TRADE, SINGAPORE HAD BEEN REDUCING AND REMOVING TRADE BARRIERS UNILATERALLY EVER SINCE END OF KENNEDY ROUND. THESE REDUCTIONS HAVE HAD SUBSTANTIAL EFFECT ON US TRADE AND THUS ARE IN LINE WITH TOKYO DECLARATION, AND SHOULD BE CONSIDERED PART OF SINGAPORE RESPONSE AND CONTRIBUTION TO MTN. IF SINGAPORE HADN'T MADE THESE UNILATERAL REDUCTIONS, THERE WOULD BE MUCH MORE THEY COULD DO NOW. SINGAPORE THEN HANDED DEL LISTS OF SUCH MEASURES TAKEN (BEING HAND CARRIED WASHINGTON AND GENEVA). US DEL RESPONDED THAT COUNTRIES SELDOM TOOK UNILATERAL ACTIONS THAT WERE NOT IN THEIR OWN INTERESTS AND THAT IT SEEMED UNLIKELY THAT US WOULD BE ABLE TO GIVE MUCH CREDIT FOR THESE ACTIONS--PARTICULARLY EARLIER ONES--BUT THAT WE WOULD STUDY SINGAPORE LISTS. IN FACT SINGAPORE'S PAST ACTIONS HAD ALREADY BEEN IMPLICITLY TAKEN INTO ACCOUNT WHEN WE MADE REQUESTS OF SINGAPORE, SINCE MAJORITY OF OUR REQUESTS WERE FOR BINDINGS OF ALREADY FREE DUTIES.

5. MORNING SESSION ENDED AT APPARENT IMPASSE WITH LIMITED OFFICIAL USE

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SINGAPORE NOT WANTING TO MAKE RESPONSE TO US REQUESTS UNTIL AFTER WE MADE OFFER REGARDING THEIR REQUESTS FOR IMPROVEMENT IN THE US OFFER, AND US STATING THAT GENEROUS OFFER HAD ALREADY BEEN TAKEN BY US AND THAT WE NEEDED RESPONSE TO OUR REQUESTS IN ORDER TO MAINTAIN OFFER AND BEFORE WE COULD CONSIDER IMPROVEMENTS.

6. AFTER LUNCH, HOWEVER, SINGAPORE DEL MADE POSITIVE RESPONSE TO US REQUESTS. REGARDING THE US INDUSTRIAL PRODUCTS REQUEST FOR BINDINGS OF NUMBER OF ALREADY DUTY-FREE ITEMS, SINGAPORE STATED THAT THIS GAVE THEM DIFFICULTY. SEVERAL YEARS AGO THEY WOULD HAVE HAD LITTLE PROBLEM BUT NOW THEY ARE MEMBER OF ASEAN AND HOPEFUL THAT ASEAN WOULD DEVELOP INTO FREE TRADE AREA OR CUSTOMS UNION IN TEN TO TWENTY YEARS. IF THIS WERE TO HAPPEN, SINGAPORE WOULD HAVE TO RAISE TARIFFS (ALTHOUGH TOTAL EFFECT WOULD BE LIBERALIZING SINCE OTHER ASEAN MEMBERS WOULD LOWER TARIFFS BY GREATER TOTAL AMOUNT). THEREFORE IT WAS CONTRARY TO SINGAPORE'S DEVELOPMENT INTEREST--AND THUS THE

TOKYO DECLARATION--TO BIND THESE TARIFFS AT ZERO.
IN RESPONSE TO QUESTION, SINGAPORE DEL STATED
THAT THEY COULD CONSIDER BINDING TARIFFS AT LEVEL
GREATER THAN ZERO (SAY 20 PERCENT) IF THIS
WOULD INTEREST US, OR BIND AT ZERO IF THERE WAS
EASY MECHANISM TO ALLOW RATES TO BE RAISED
WITHOUT COMPENSATION SHOULD ASEAN FREE TRADE AREA
EVENTUALLY BE ESTABLISHED.

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7. REGARDING US REQUESTS IN AGRICULTURE, SINGAPORE
DEL STATED THAT IT WAS IMPOSSIBLE TO MAKE AN OFFER
ON UNMANUFACTURED TOBACCO OR CIGARETTES, SINCE
THESE ARE REVENUE ITEMS AND THUS IMPORTANT TO THE
GOVERNMENT. IN ADDITION, GOVERNMENT BELIEVES
THAT SMOKING UNDESIRABLE AND THAT SMOKERS WOULD HAVE
TO PAY FOR HABIT THROUGH HIGH TARIFFS AND TAXES.
HOWEVER, SINGAPORE DEL SAID SINGAPORE PREPARED TO
MAKE OFFER ON REST OF ITEMS ON AGRICULTURE LIST
AS WELL AS ON ITEMS ON ORIGINAL TROPICAL PRODUCTS
LIST. SINGAPORE DEL STATED THAT SINGAPORE WOULD
DEFINITELY MAKE POSITIVE RESPONSE ON THESE ITEMS,
BUT DECLINED TO SAY BY HOW MUCH OR WHETHER CUTS
WOULD BE BOUND. HOWEVER, PRECISE DEPTH OF CUT

AND QUESTION OF BINDING OF NEW RATES REMAIN OPEN
TO NEGOTIATION AND DEPEND ON QUALITY OF US RESPONSE TO
SINGAPORE REQUESTS FOR IMPROVEMENT IN US OFFER.
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8. DURING EXAMINATION OF SINGAPORE'S REQUEST
LIST SUBMITTED MARCH 20, 1978, US DEL POINTED OUT
THAT ON A NUMBER OF THE ITEMS WE HAD ALREADY MADE
FULL AUTHORITY CUTS, AND THUS HAVE ALREADY
RESPONDED TO SINGAPORE REQUESTS, AND ON OTHERS
ECONOMIC EXCEPTIONS HAD BEEN TAKEN WHICH ALSO MADE
IMPROVEMENT DIFFICULT. FOR OTHER ITEMS, US DEL
STATED THAT GIVEN POSITIVE SINGAPORE RESPONSE TO
OUR REQUESTS, WASHINGTON WOULD REEXAMINE
SINGAPORE'S REQUESTS TO DETERMINE IF ANY
IMPROVEMENT POSSIBLE, AND THAT WE WOULD
ATTEMPT TO DO THIS AS SOON AS POSSIBLE,
HOPEFULLY WITHIN THREE WEEKS.

9. COMMENT: POSITIVE RESPONSE OF SINGAPORE IS
FIRST WE HAVE HAD FROM LDC IN BROAD MTN CONTEXT
(NOT STRICTLY TROPICAL PRODUCTS), AND CLEARLY SHOWS
THAT AT LEAST ONE ASEAN COUNTRY SERIOUS WHEN IT
SAID POSITIVE RESPONSES WOULD BE FORTHCOMING.
HOWEVER, SINGAPORE DEL WAS CLEARLY DISAPPOINTED
THAT US DEL UNABLE TO RESPOND IMMEDIATELY IN THEIR
REQUESTS FOR IMPROVEMENT IN OUR OFFER, GIVEN
SINGAPORE'S IMMEDIATE POSITIVE RESPONSE TO OUR REQUEST.
SINGAPORE DEL STATED THAT THEY WANTED TO REACH
SUCCESSFUL CONCLUSION TO NEGOTIATIONS WITH US
AND MTN AS SOON AS POSSIBLE. IN ORDER TO
MAINTAIN MOMENTUM, BOTH WITH SINGAPORE AND OTHER
LDCS, US DEL BELIEVES THAT WASHINGTON AGENCIES
SHOULD CONSIDER AS SOON AS POSSIBLE (A) POSSIBILITY
OF POSITIVE RESPONSE TO SINGAPORE'S REQUEST FOR
IMPROVEMENT IN US OFFER, (B) WHETHER PREVIOUS
LIBERALIZATION BY SINGAPORE COULD COUNT AS PART
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OF THEIR MTN CONTRIBUTION, (C) VALUE TO US IN
BINDINGS ON ITEMS IN OUR REFINED INDUSTRIAL
REQUEST LIST AT RATES HIGHER THAN CURRENT DUTY-
FREE RATES, (D) IMPORTANCE OF BINDINGS OF DUTY
REDUCTIONS ON ITEMS CURRENTLY DUTIABLE ON TROPICAL
PRODUCTS AND AGRICULTURE REQUEST LISTS, (E)

WHETHER THERE IS SOME MECHANISM THAT WILL EASILY
ALLOW BOUND RATES TO BE RAISED WITHOUT COMPENSATION
SHOULD ASEAN DEVELOP INTO FREE TRADE AREA IN FUTURE,
AND (F) VALUE TO US OF SINGAPORE'S CONCESSIONS
ON AGRICULTURAL AND TROPICAL PRODUCTS REQUEST LISTS
IN TERMS OF 1976 GOS IMPORT STATISTICS OF THESE
POTENTIAL CONTRIBUTIONS.
HOLDRIDGE

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